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BEFORE THE ARIZONA CORPORATION COMMISSION

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MARC SPITZER
Chairman
WILLIAM A. MUNDELL
Commissioner
JEFF HATCH-MILLER
Commissioner
MIKE GLEASON
Commissioner
KRISTIN K. MAYES
Commissioner

Arizona Corporation Commission

DOCKETED

JAN - 4 2005

DOCKETED BY

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IN THE MATTER OF THE APPLICATION
OF SOUTHWEST GAS CORPORATION
FOR APPROVAL OF A SPECIAL GAS
PROCUREMENT AGREEMENT WITH
TUCSON ELECTRIC POWER COMPANY

DOCKET NOS. G-01551A-04-0769
E-01933A-04-0769

DECISION NO. 67453ORDER

Open Meeting
December 14 and 15, 2004
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Southwest Gas Corporation ("Southwest") is engaged in providing natural gas service within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission ("Commission").

2. On October 26, 2004, Southwest filed for Commission approval of a special gas procurement agreement ("SGPA") with Tucson Electric Power Company ("TEP").

3. Southwest has served TEP through SGPAs for a number of years.

4. In Decision No. 63846 (June 28, 2001), the Commission approved a five year SGPA between Southwest and TEP. This SGPA contained pricing terms for the first two years of the SGPA.

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1 5. In Decision No. 66753 (January 28, 2004), the Commission approved new pricing
2 terms such that the revised SGPA contained rates which were effective through December 31,
3 2004.

4 6. Southwest's filing in this application requests approval of a one year extension of
5 the rates and delivery volumes contained in the currently approved SGPA, for a twelve month
6 period beginning January 1, 2005. The proposed SGPA differs from the SGPA approved by the
7 Commission in Decision No. 66753, only in that the effective period has been extended a further
8 twelve months.

9 7. Staff has reviewed information related to the new SGPA containing the 12 month
10 extension and believes that TEP continues to have a viable alternative to being served by
11 Southwest and that the twelve month extension is reasonable.

12 8. Ratepayers will continue to benefit from the crediting of Southwest's purchased gas
13 adjustor balance with pipeline capacity credits.

14 9. Staff has recommended approval of the filing.

15 10. Staff has further recommended that the provision contained in past Commission
16 orders approving such SGPAs, indicating that ratepayers are not responsible in any future
17 proceeding for any negative margins resulting from the SGPA be retained.

18 CONCLUSIONS OF LAW

19 1. Southwest is an Arizona public service corporation within the meaning of Article
20 XV, Section 2, of the Arizona Constitution.

21 2. The Commission has jurisdiction over Southwest and over the subject matter of the
22 application.

23 3. The Commission, having reviewed the application and Staff's Memorandum dated
24 November 30, 2004, concludes that it is in the public interest to approve the filing.

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ORDER

IT IS THEREFORE ORDERED that this filing be and is hereby approved.

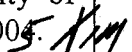
IT IS FURTHER ORDERED that ratepayers are not responsible in any future proceeding for any negative margins resulting from the SGPA.

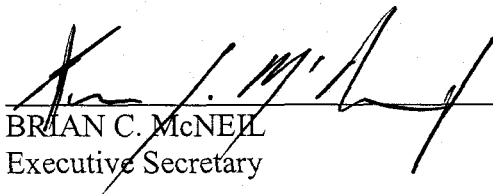
IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION
CHAIRMAN
COMMISSIONER

COMMISSIONER


COMMISSIONER
COMMISSIONER

IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 4th day of Jan., 2005. 


BRIAN C. McNEIL
Executive Secretary

DISSENT: _____

DISSENT: _____

EGJ:RGG:red/JG

1 SERVICE LIST FOR: Southwest Gas Corporation and Tucson Electric Power Company
2 DOCKET Nos. G-01551A-04-0769 and E-01933A-04-0769

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